



October 13, 2004

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Supervisor
First District

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Representative of
General Public

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Supervisor
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ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: Business Report

The following provides an update on several administrative issues of importance to the Commission in the next six months. The report includes information on our annual audit, personnel policy updates, filing fee restructuring, and the ongoing implementation of our new accounting and budgeting procedures.

Annual Audit

As an independent government agency, LAFCO is now required to have its financial statements audited by an independent certified accounting firm. On February 7, 2003, your Commission ratified a contract with the certified public accounting firm of Moreland & Associates to conduct LAFCO's audit for three years. Moreland & Associates is scheduled to begin the audit of LAFCO's FY 2003-2004 statements in November 2004. The draft audit will be available for Commission review in January 2005.

This will be the third annual audit conducted by Moreland & Associates. Per your Commission's policy, no audit firm can be used for more than three consecutive years. Following the November audit, staff will send a Request for Proposal (RFP) to qualified accounting firms to assist the Commission in selecting a new firm to conduct LAFCO's future audits.

Personnel Policies

Several new employment laws for California employers, including LAFCO, became effective during 2004. The new laws impact provisions for paid family leave, court appearance leave, employee harassment, and health care coverage. Staff, in concert with our human resources consultant, Alcock & McFadden, Inc., is in the process of drafting amendments to the Commission's existing Personnel Policies and Procedures Manual to reflect these recent changes. Staff anticipates presenting the amended personnel policies for Commission consideration in late 2004.

Implementation of New Budgeting/Accounting Procedures

Per the Commission's directive, staff continues to implement LAFCO's revised accounting and budgeting system which separates LAFCO from the County's general accounting system. Staff has successfully wire transferred the majority of funds from LAFCO's County Fund 770 into our new accounts with Wells Fargo Bank. Staff will continue to maintain limited funding within Fund 770 to cover staff payroll costs.

In consultation with our accounting consultant, Conrad Business Associates, Inc., staff is developing draft internal office policies and procedures to ensure that all appropriate checks and balances are in place as we complete our transition from the County system. These policies and procedures will be incorporated into the Commission's existing Accounting & Financial Policies and Procedures Manual for consideration by the Commission prior to the end of 2004.

Budget Updates/Fee Schedule

Beginning in November 2004, staff will prepare budget updates for Commission review on a quarterly basis. This will provide an opportunity for the Commission to review and monitor revenues and expenditures throughout the fiscal year. In addition, at the direction of the Commission at the 2004 Annual Strategic Planning Session, staff is re-evaluating our current fee schedule and will be presenting alternative fee formulas and approaches for Commission consideration in the near future.

JOYCE CROSTHWAITE

BOB ALDRICH